

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001**

Transferring Bound Printed Matter
Parcels to the Competitive Product List

Docket No. MC2021-78

**PARCEL SHIPPERS ASSOCIATION NOTICE OF FILING MATERIAL
UNDERSEAL AND MOTION FOR NON-PUBLIC TREATMENT OF ITS
COMMENTS, INCLUDING ATTACHMENT A (DECLARATIONS), AND
WORKPAPERS
(May 17, 2021)**

The Parcel Shippers Association (PSA) hereby provides notice that it is filing its Comments,¹ Declarations (Attachment A), and Application for Non-Public Treatment (Attachment B), and, separately, its Workpapers in the above-captioned docket under seal. In accordance with 39 C.F.R. §§ 3011.200 - 3011.203, PSA applies for non-public treatment of the information filed under seal. Redacted versions of the Comments, Attachments, and Workpapers are filed online. Non-public unredacted versions are being delivered to the Postal Regulatory Commission (Commission) in accordance with Rule 203 (39 C.F.R. §§ 3011.203).

Respectfully submitted:

/s/ James Pierce Myers

James. Pierce Myers
Attorney at Law
General Counsel for
PARCEL SHIPPERS ASSOCIATION
703.627.5112
jpm@piercemyers.com

¹ Comments of the Parcel Shippers Association (May 17.2021) ("Comments")

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001**

Transferring Bound Printed Matter
Parcels to the Competitive Product List

Docket No. MC2021-78

COMMENTS OF PARCEL SHIPPERS ASSOCIATION

(May 17, 2021)

The Parcel Shippers Association (PSA) appreciates the opportunity to comment in response to PRC Order No. 5856¹ on the Postal Service's Request² to transfer the Bound Printed Matter (BPM) Parcels product from the market-dominant category of mail to the competitive category. This is an open-and-shut case. In the Postal Accountability and Enhancement Act (PAEA),³ Congress correctly placed BPM in the market-dominant category.⁴ Nothing has changed to warrant its transfer to the competitive category.

I. A SIMPLE CASE

This docket is about market power. And the PAEA provides a precise definition of what that is for purposes of categorizing postal products. This is the test Congress prescribed when it placed Bound Printed Matter in the market-dominant category. Does:

¹ Order No. 5856, Notice and Order Concerning Transfer of Bound Printed Matter Parcels to the Competitive Product List (March 30, 2021).

² United States Postal Service Request to Transfer Bound Printed Matter Parcels to the Competitive Product List (March 26, 2021) (USPS Request).

³ Pub. L. No. 109-435, 120 Stat. 3198 (Dec. 20, 2006). The PAEA amends many sections of title 39 United States Code. Unless otherwise noted, section references in these comments are to title 39, as amended by the PAEA.

⁴ See 39 U.S.C. § 3631(a).

. . . the Postal Service exercise[] sufficient market power that it can effectively set the price of such product substantially above costs, raise prices significantly, decrease quality, or decrease output, *without risk of losing a significant level of business to other firms offering similar products.*

39 U.S.C. § 3642(b)(1)(emphasis added).

This is the question before the Commission. This is the law. Argument in previous transfer cases has strayed into the wilderness of arcane antitrust and other economic theory, but under the law that is not required or appropriate.

According to the Commission, “[a] market power analysis, by its very nature, is a fact-based analysis.” Order No. 4009⁵ at 24. As demonstrated in these comments, the relevant facts here are quite clear. And in Order No. 4009 the Commission set forth the process for framing a market power analysis, reviewing these facts, and applying the PAEA’s congressional test under the PAEA:

This is summarized as describing the product to be transferred, identifying potential competitors and potential competitive substitute products, determining the applicable market(s) or market segments, and finally applying the market power test of 39 U.S.C. § 3642(b)(1).

Order No. 4009 at 5.

Below we go through this process and show that BPM Parcels are properly placed in market-dominant category and must remain there. We also explain that given BPM Parcels educational, cultural, scientific, and information value, incorrectly approving the proposed transfer would have negative impacts for the nation.

II. APPLYING THE COMMISSION’S PROCESS TO BPM PARCELS

A. Describe the Product to Be Transferred.

In its USPS Request, the Postal Service defines BPM Parcels as follows:

⁵ Docket No. MC2015-7, Order No. 4009 – Order Conditionally Approving Transfer (July 20, 2017)(Order No. 4009).

BPM Parcels is a parcel product within the Package Services class. A piece may weigh up to 15 pounds and contain printed matter consisting of advertising, promotional, directory, or editorial material (or any combination of such material), including books. Domestic Mail Manual (DMM) § 263.2.1.b, c.

Sheets must be securely bound by a permanent fastening such as staples, spiral binding, glue, or stitching – loose-leaf binders and similar fastenings are excluded – and at least 90 percent of sheets must be imprinted by a process other than handwriting or typewriting. Sheets may not have the nature of personal correspondence and may not be stationery or pads of blank, printed forms. DMM § 263.2.1.d-g.

BPM Parcels is not available to consumers at the retail window. It is available only to commercial customers. Postage for BPM parcels may be paid only by permit, DMM §§ 266.1.0, 266.2.1, and prices are paid per piece and per pound for Carrier Route, Presorted, and Destination Entry mailings of 300 pieces or more. Postage is paid by weight and zone for non-presorted mailings, for which there is no piece minimum. USPS Notice 123, p. 29. Transportation of BPM Parcels is by ground, with a service standard of 2 – 9 days, though the Postal Service does not guarantee delivery within this time. USPS FAQs, Article Nos. 3122, 3156; DMM § 263.3.1.1

As such, BPM Parcels typically carry books, other non-advertising publications, and larger catalogs. (Smaller catalogs and advertising material are more typically mailed as BPM Flats, a separate product that is not part of this request.) The Postal Service believes that approximately two-thirds of BPM Parcel volume is shipped to consumers, while the other one-third is shipped to businesses.

USPS Request at 3-4.

In short, BPM Parcels are 1-to-15 pound books, other non-advertising publications, and larger catalogs entered by commercial customers that are delivered by ground. Given these narrow eligibility requirements, BPM Parcels comprise only 3.5

percent of USPS package volume and 0.9 percent of package revenue.⁶

B. Identify the Potential Competitors and Potential Competitive Substitute Products.

The Postal Service identified products offered by United Parcel Service (UPS) and FedEx Corporation (FedEx) as the primary competitors to BPM Parcels, with both companies offering a service called “Ground.” USPS Request at 6-7. This was confirmed by Declarations filed by PSA members Wendy Smith,⁷ Assistant Vice President of Fulfillment and Postal Affairs for Publishers Clearing House (PCH); Gaston Curk,⁸ Co-founder and CEO at OSM Worldwide; and Mike Ward,⁹ President of ThriftBooks Global LLC; as well as responses by the Postal Service to Chairman’s Information Request No. 3.¹⁰

The Postal Service also identified consolidators as competitors. The declarations of Messrs. Curk and Ward explain that this is not the case. While consolidators compete with one another for the business of presorting and transporting BPM Parcels to destination postal facilities, they do not provide any meaningful competition for the Postal Service for its role – last-mile sorting and delivery – in the BPM Parcels logistics chain.¹¹

As shown below, however, there are no real competitors or competitive products.

C. Determine the Applicable Market Segment.

The eligibility requirements for the BPM Parcels product command use of a narrow market segment. Specifically, as noted above, the BPM Parcels product is used

⁶ Docket No. ACR2020, USPS-FY20-1, Public_FY20CRARReport.Rev.2.22.21.xlsx.

⁷ Declaration of Wendy Smith on Behalf of Publishers Clearing House.

⁸ Declaration of Gaston Curk on Behalf of OSM Worldwide.

⁹ Declaration of Mike Ward on Behalf of ThriftBooks Global LLC.

¹⁰ Responses of the United States Postal Service to Chairman’s Information Request No. 3 (April 23, 2021), Response to Question 1.

¹¹ Declaration of Gaston Curk on Behalf of OSM Worldwide at ¶ 5.

for the ground delivery of 1-to-15 pound books, other non-advertising publications, and larger catalogs entered by commercial customers. The relevant market segment for applying PAEA's section 3642(b)(1) market power test thus is the ground delivery of 1-to-15 pound books, other non-advertising publications, and larger catalogs entered by commercial customers. The Postal Service has identified no product offered by another firm that comes close to meeting these qualification requirements.

Commission precedent is clear that a broader market description may be unnecessary and inappropriate.¹²

D. Apply the Market Power Test.

The Postal Service has provided no market share data specific to this market segment and no analysis of how much business, if any, it would lose to other firms offering similar products if it significantly raised BPM Parcels prices. However, available historical data makes clear that the Postal Service can and will significantly raise BPM Parcels prices and do so without risk of losing significant business to other firms offering similar products. It has shown no hesitancy to exploit market power in the past.

1. Parcel Select Lightweight All Over Again.

The Commercial Standard Mail Parcel product (now named "Parcel Select Lightweight") (PSLW) was transferred from the market-dominant to the competitive category nearly a decade ago.¹³ A case study of this product transfer is particularly instructive as to how the pending USPS Request will play out because current BPM Parcels product characteristics closely mirror those of Commercial Standard Mail

¹² Order No. 4009 at 9 ("A broad definition of the parcels market, however, is not always helpful when analyzing the market power requirements of 39 U.S.C. §3642(b)(1)"); "The Commission answers the Court's question in two parts. First, although the products in the three previous dockets and the instant docket all can be considered parcels, their product characteristics are different enough for the Commission to conclude that they do not operate in the same segments of the overall parcels market." *Id.* at 13; the Commission's full discussion is informative. *Id.* at 9-14.

¹³ See Docket No. MC2010-36 ("PSLW Docket").

Parcels just prior to the Commission's approval of its transfer from the market-dominant category to the competitive.

- Both products are destination-entered products, with nearly all volumes entered at destination facilities.¹⁴
- The average postage for both products was about \$1 per piece, with BPM Parcels being slightly higher.¹⁵

In the PSLW Docket, the Postal Service asserted, and the Commission accepted, that any “pricing power the Postal Service may enjoy is illusory based on its pricing under one-pound parcels below cost,”¹⁶ i.e., once the product becomes compensatory, competition from UPS and FedEx would ensure that the Postal Service could not raise prices without risk of losing significant business to other firms offering similar services.¹⁷ The Commission also accepted the Postal Service assertion that the transfer would facilitate negotiated service agreements (NSAs) with Parcel Select Lightweight customers.

But with a decade of hindsight, we now know neither happened.¹⁸ From FY 2012 to 2021, the Postal Service increased Parcel Select Lightweight prices by a cumulative 190 percent, about ten times the rate of inflation.

¹⁴ See PSA MC2021-78 Workpapers.xlsx, worksheet “Data by Entry Point”.

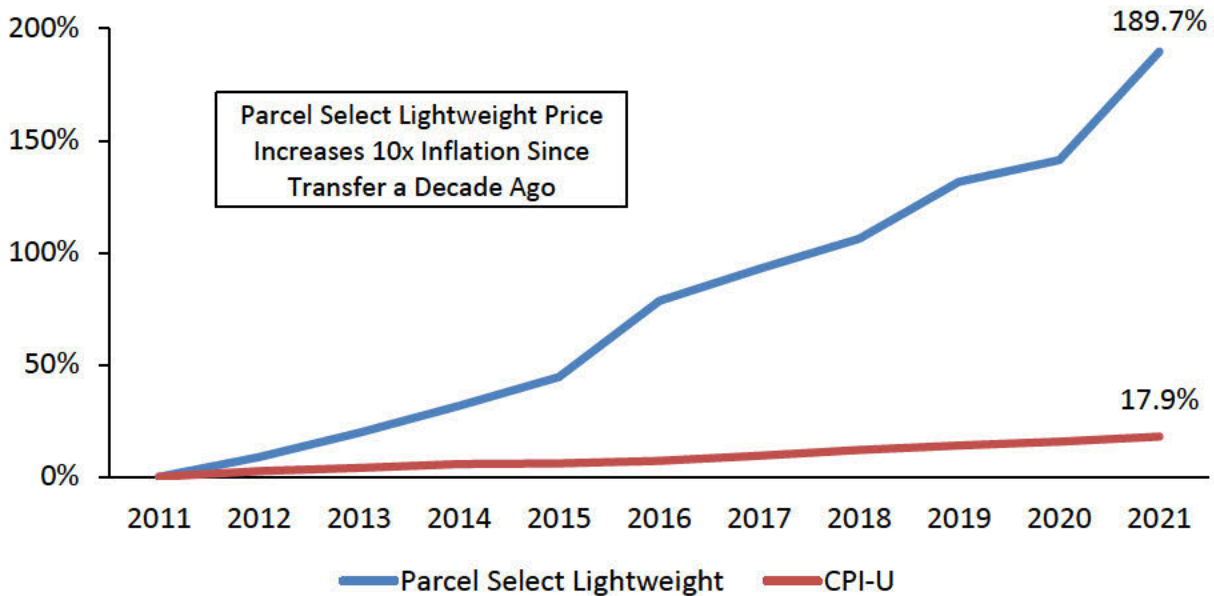
¹⁵ See PSA MC2021-78 Workpapers.xlsx, worksheet “Avg Rev per Pc Before Transfer”.

¹⁶ Docket No. MC2010-36, Order No. 689, Order Conditionally Granting Request to Transfer Commercial Standard Mail Parcels to the Competitive Product List (March 2, 2011) at 16.

¹⁷ If the Postal Service is genuinely concerned about the cost coverage for BPM Parcels, it has the means to make BPM Parcels compensatory without this product transfer. Existing authority to apply uneven increases to different market dominant products within a class, coupled with expanded “cap authority” under new Commission pricing rules, is sufficient to address the “underwater” issue over the next year or two. The available rate authority for the Package Services class as of May 12, 2021, according to the Commission, was 8.812 percent. See <https://www.prc.gov/sites/default/files/Available%20Rate%20Authority%2005-12-21.pdf>.

¹⁸ The Commission was warned that relying on the Postal Service assertions was a mistake: “PSA urges denial of the Request. It contends the Postal Service has not met the burden established by the PAEA. It claims that the current market dominant designation of this product, particularly while rates for this product do not cover costs, coupled with elimination of the regulatory price ceiling on the product to be transferred, would potentially allow ‘massive price increases.’ In particular, PSA claims the Postal

Figure 1 – Cumulative Parcel Select Lightweight Price Increase v. Inflation Since Product Transfer



Source: PSA MC2021-78 Workpapers.xlsx, worksheet "Figure 1"

Service currently wields market power in the under-one-pound ground parcel market. It cites as evidence the Postal Service's large market share of this product and its apparent ability to raise prices substantially without a significant loss of volume, an ability enhanced by its exclusive access to consumers' mailboxes. PSA also contests the Postal Service's assertion that its market power would be lost if prices for the transferred product are raised to a level that makes a reasonable contribution to institutional costs. Prices proposed to cover their attributable cost would be much lower than the prices of the Postal Service's competitors. In addition, PSA notes that those rates include delivery costs, especially deliveries to mailboxes not available to the Postal Service's competitors." Docket No. MC2010-36, Order No. 689, Order Conditionally Granting Request to Transfer Commercial Standard Mail Parcels to the Competitive Product List (March 2, 2011) at.10 (citations omitted); *see also*, Docket No. MC2010-36, Parcel Shippers Association Comments on the United States Postal Service Request to Transfer Commercial Standard Mail Fulfillment Parcels to the Competitive Product List (September 24, 2010).

¹⁹ See PSA MC2021-78 Workpapers.xlsx, worksheet "PSLW Volume."

_____ The Postal Service has provided no evidence that business shifted in any meaningful way to FedEx and UPS or “other firms offering similar products.”

Table 1 – Parcel Select Lightweight Price Increases and Volume Changes (Millions)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Price Increase	8.9%	9.8%	10.1%	9.8%	23.5%	8.0%	7.0%	12.3%	4.2%	20.0%

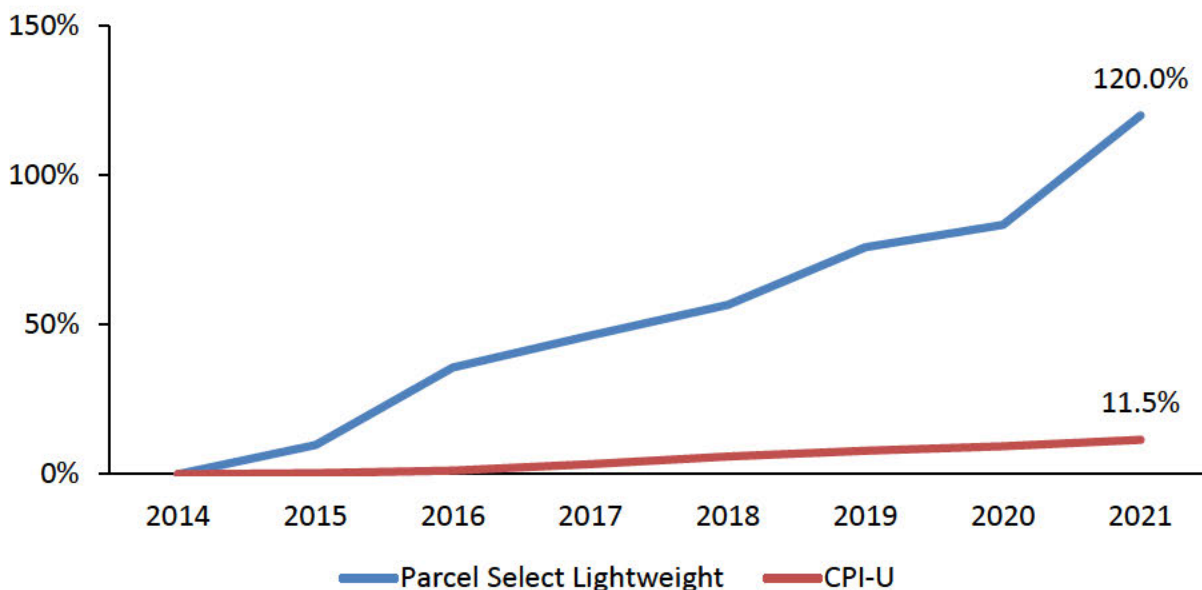
Source: Workpapers.xlsx, "Tab e 1"

Table 2 – Cost Coverage and Price Increases of Parcel Select Lightweight in Recent Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Price Increase	8.9%	9.8%	10.1%	9.8%	23.5%	8.0%	7.0%	12.3%	4.2%	20.0%
Cost										

Source: Workpapers.xlsx, "Tab e 2"

Figure 2 – Cumulative Parcel Select Lightweight Price Increase v. Inflation Since FY 2014



Source: PSA MC2021-78 Workpapers.xlsx, "Figure 2"

The Postal Service's pricing power remains today. Despite Parcel Select Lightweight now having [REDACTED] cost coverage ([REDACTED] percent vs. a 156 percent overall average²⁰ in FY 2020), the Postal Service raised Parcel Select Lightweight prices by another 20 percent in January,²¹ showing no concern about losing significant business to other firms.

Finally, contrary to the Commission's optimism regarding the prospects for Parcel Select Lightweight NSAs, the Postal Service apparently saw no need to negotiate deals

²⁰ Responses of the United States Postal Service to Chairman's Information Request No. 6 (May 6, 2021), Response to Q1, Attachment A; Docket No. ACR2020, USPS-FY20-1, Public_FY20CRARReport.Rev.2.22.21.xlsx, worksheet "Cost3", cell D26 / cell F26.

²¹ Responses of the United States Postal Service to Questions 1 – 3a and 4b of Chairman's Information Request No. 2, Response to Question 1d.

to retain Parcel Select Lightweight business, having signed no NSAs offering discounts from Parcel Select Lightweight prices in the decade since its transfer.²²

Experience shows the Commission erred in accepting the Postal Service assertions in the PSLW Docket. This transfer should not have happened. Order No. 689 should be given no precedential value.

2. [REDACTED]

In preparation for the Board of Governors' consideration of this filing, postal management analyzed the potential impact of BPM Parcels price increases. That analysis concluded that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

²² Responses of the United States Postal Service to Chairman's Information Request No. 6 (May 6, 2021), Question 2.

[REDACTED]

[REDACTED]

Analysis of Impact of Range of Price Increases Conducted in Preparation for Governors vote on 8-8-2010

[REDACTED]

[REDACTED]

[REDACTED]

- I [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- I [REDACTED]

²³ United States Postal Service, Econometric Demand Equation Tables for Market Dominant Products as of January 2021, Prepared for Postal Regulatory Commission (January 20, 2021).

²⁴ Responses of the United States Postal Service to Questions 1-6 and 8-9 to Chairman's Information Request No. 3, Response to Question 8, Attachment A.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

3. UPS and FedEx Are Not Meaningful Competition for BPM Parcels

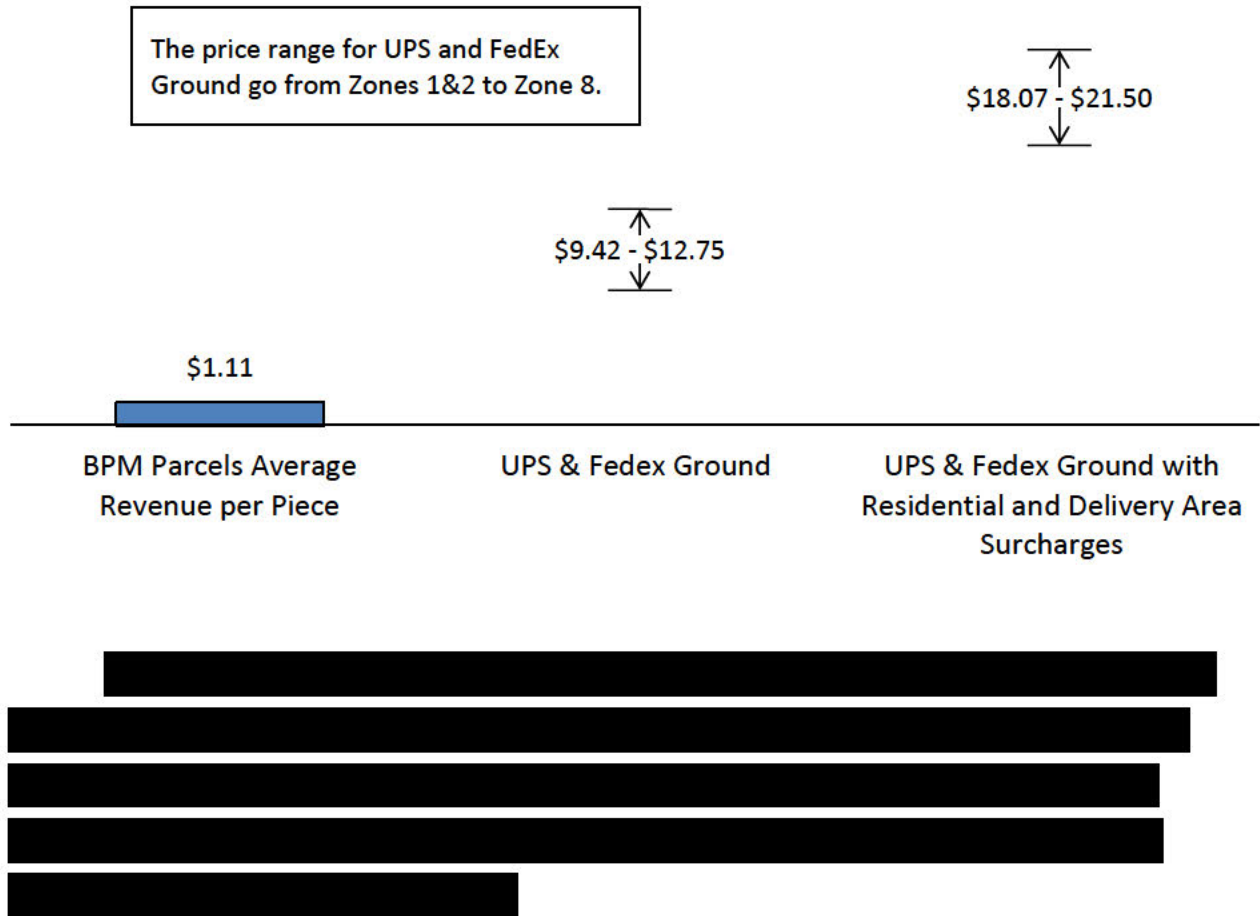
While other firms provide products that could theoretically substitute for BPM Parcels – notably, UPS and FedEx Ground²⁷ – the prices charged for these products are multiple times the price of BPM Parcels. The price difference is even greater for shipments to rural and residential areas where UPS and FedEx Ground impose substantial surcharges. Just as the availability of those products did not prevent significant PSLW price increases, their presence will not do so for BPM Parcels.

A simple comparison of average BPM Parcels postage with a 2-pound package (the average weight of BPM Parcels) to UPS and FedEx Ground list prices makes clear that that UPS and FedEx Ground prices are not close to comparable to BPM Parcels.

²⁶ [REDACTED]

²⁷ USPS Request at 6-7.

**Figure 4 – BPM Parcels Average Revenue per Piece
v. UPS & FedEx Ground List Prices**



[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Similarly, Wendy Smith states that “PCH’s BPM Parcels average shipping cost -- which includes our transportation to the consolidator, the consolidator’s handling and transportation, and postage -- is less than [REDACTED] percent of FedEx and UPS Ground list prices (based on the average of Zones 4 and 5). Added to these UPS and FedEx list prices are FedEx and UPS Residential surcharges of \$4.35-\$4.45 and incremental Delivery Area Surcharges of \$4.30 (applicable to ~1/3 of our ZIP codes). [REDACTED]”

And Gaston Curk notes that

The Postal Service's market power in this segment does not stem from BPM

²⁸ Declaration of Wendy Smith on Behalf of Publishers Clearing House at ¶ 4.

²⁹ Declaration of Gaston Curk on Behalf of OSM Worldwide at ¶ 5.

Parcels prices being noncompensatory, but rather from the Postal Service being able to deliver these packages at a much lower cost. If BPM Parcels prices were increased by \$1 and therefore were not only compensatory but had an above-average cost coverage of 178%,³⁰ substantial price differences would remain.

III. Allowing the Postal Service to Shift the BPM Parcels Product to Competitive Would be Particularly Problematic Given Its Educational, Cultural Scientific, and Information Value

Given the preponderance of books in this product, the Commission and the Postal Service have long recognized that, as required by the Postal Reorganization Act of 1970 and codified again in PAEA, “the educational, cultural, scientific, and informational [ECSI] value to the recipient of mail matter” of BPM Parcels must be taken into account when setting rates.³¹ That the pricing of BPM Parcels, if transferred, would be market-based and thus no longer account for this product’s ECSI value is reason enough to reject the USPS proposal.

Congress’s concern regarding the pricing of the BPM Parcel product given its ECSI value continues today, as evidenced by a December 21, 2021 letter to the Postal Service from a bicameral, bipartisan group of legislators:

Given the lack of information on how “the proposed transfer” would have an impact on revenue, there is bipartisan, bicameral concern that if the Postal Service moves forward with this proposal, it could result in under-stocking of classroom libraries and harm learning opportunities for our elementary, middle, and high school students. Indeed, this change may have limited benefit and could effectively lower

³⁰ Docket No. ACR2020, USPS-FY20-1, Public_FY20CRARReport.Rev.2.22.21.xlsx, worksheet “Cost1”, (cell J43 + \$1) / cell L43.

³¹ See 39 U.S.C. §3622(c)(11); Docket No. R2021-1, United States Postal Service Notice of Market Dominant Price Change (October 9, 2020) at 24; Docket No. ACR2020, Annual Compliance Determination Report (March 29, 2021) at 15.

Postal Service revenue if the mailers of this material are forced to leave the mail system.³²

The same concern is echoed by the hundreds of letters submitted by teachers opposing the proposed transfer, writing:

...to express my deep concern regarding the impact of moving bound printed matter parcels from the Market Dominant to the Competitive Product category. I know this will dramatically increase the rates for flyers and books that are mailed to schools. I teach 2nd grade...and there is no doubt that the additional costs will ultimately be passed on to those purchasing books—students and their families. There are already too many barriers to reading for most families I work with. I depend on access to affordable books, which the bound printed matter rates provide, to help me close the gap for my lower-income students who normally could not afford higher-priced books.³³

This ECSI value of the BPM Parcels product and negative impact of the proposed transfer is not limited to books sent to classrooms, but rather permeates the entire product, as discussed by ThriftBooks Global LLC President Mike Ward:

The affordable [BPM Parcels] postage rate allows us to provide a customer experience that is highly valued: used books, delivered to your doorstep, for as low as [REDACTED] per book. This has resulted in a US population with increased reading habits, greater literacy, and again, to borrow the USPS's own words, has profound "educational, cultural, scientific, and informational value", particularly to segments of our society that have been traditionally under-privileged and under-served....

Lastly, I want to remind you of our customers, the very people that this proposed action from the USPS will most directly hurt. Every year we survey our customers in an effort to stay apprised of their habits, trends, and the value they get from our products, and we get to know them pretty well.

³² Motion of Scholastic Inc. for Issuance of Information Request (April 9, 2021), attached Letter from Members of Congress (December 21, 2020).

³³ See Comments filed by individuals in Docket No. MC2021-78.

These people are who I am primarily writing this letter for, and who most need our support, many of them from underprivileged and under-served communities who are the most vulnerable of our citizens. Increasing prices or reducing the supply of used books “online” will reduce opportunities of increased literacy, education, and improved quality of life that come from reading.³⁴

Conclusion

The facts are clear. Postal Service BPM Parcels enjoy a large price advantage over sorting and delivery services offered by other firms. No other firm has been or will be able to compete with the Postal Service in the narrowly defined market segment and substitute products are not available. Experience following an analogous past product transfer (PSLW) [REDACTED] warn that the Postal Service will certainly raise BPM Parcels prices significantly if unchecked by a price cap and permitted because it can do so without risk of losing a significant level of BPM Parcels business to other firms offering similar products.

The Postal Service Request should be denied.

Respectfully submitted,

/s/ Pierce Myers
Pierce Myers
Attorney at Law
General Counsel for
Parcel Shippers Association
703-627-5112
jpm@piercemyers.com

³⁴ Declaration of Mike Ward on Behalf of ThriftBooks Global LLC at ¶ 3 and ¶ 6.

Attachment A

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001**

Transferring Bound Printed Matter
Parcels to the Competitive Product List

Docket No. MC2021-78

DECLARATIONS SUPPORTING OF THE PARCEL SHIPPERS ASSOCIATION

(May 17, 2021)

/s/ James Pierce Myers

James. Pierce Myers
Attorney at Law
General Counsel for
PARCEL SHIPPERS ASSOCIATION
703.627.5112
jpm@piercemyers.com

May 17, 2021

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001**

Transferring Bound Printed Matter
Parcels to the Competitive Product List

Docket No. MC2021-78

**DECLARATION OF GASTON CURK
ON BEHALF OF OSM WORLDWIDE
(May 17, 2021)**

I, Gaston Curk, declare as follows:

1. I am Co-founder and CEO at OSM Worldwide. My duties include mentoring and managing our various department leaders, cultivating postal relationships and sitting on various industry boards and articulating the vision associated with the growth of the business. I have been in the mailing industry for more than 25 years and the CEO of OSM for 18 years. I am currently a board member for the Parcel Shippers Association (PSA) and have been a member of PSA since 2012.

2. OSM Worldwide is a package consolidator in the ecommerce space. We are headquartered in Glendale Heights, IL and have distribution centers in York, PA, Las Vegas, NV and Atlanta, GA. In 2021 OSM will be expanding our York, PA facility [REDACTED] and extending our footprint [REDACTED]. Our [REDACTED] facility will allow us to further refine our network while allowing us to better capture market share in the southwest. We currently employ 200 full-time employees and 350 associates but with our consistent growth those numbers are steadily rising.

3. OSM Worldwide was established in 2003 and has had a long and successful relationship with the USPS for a great number of years. As a preferred partner and shipping consolidator OSM Worldwide is credited for launching the Pallet

Priority Mail Open and Distribute (PPMOD) Network in conjunction with the Postal Service. Today OSM has various Negotiated Service Agreements (NSA) with the United States Postal Service and is considered a 100% shipping partner. Over the years, and with the formation of the PPMOD Network, OSM Worldwide has developed a reputation for speed and exceptional service. We currently process [REDACTED] [REDACTED] packages annually, which are made up of Parcel Select, Parcel Select Lightweight and Bound Printed Matter (BPM) Parcels. Nearly [REDACTED] of our overall volume is shipped using the BPM Parcels product or [REDACTED] annually. We also use, First-Class Mail, Priority Mail, Marketing Mail and International Mail.

4. OSM Worldwide provides BPM Parcels service to many customers including [REDACTED]. OSM utilizes the PPMOD network for a consistent [REDACTED] delivery timeframe. The PPMOD Network consists predominantly of Sectional Center Facilities and we enter BPM Parcels ranging from 1 to 15 lbs daily. Our average BPM Parcel weighs [REDACTED]. We sort, consolidate and ship the BPM from our 4 distribution centers nationally.

5. While OSM competes with other consolidators for the business of presorting and transporting BPM Parcels to destination postal facilities, the Postal Service faces no meaningful competition in the last-mile sorting and delivery of these packages. [REDACTED]

[REDACTED] (including postage and our fee) for BPM Parcels. With no reasonably-priced delivery alternatives, if the BPM Parcels transfer is approved and the Postal Service significantly raises BPM Parcels postage, we would have to pass the higher prices along to our customers and they would have to pay the higher prices or reduce their mail volume. This would likely result in a contraction in the "Used Book" industry.

Executed this 14 day of May, 2021



Gaston Curk

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001**

Transferring Bound Printed Matter
Parcels to the Competitive Product List

Docket No. MC2021-78

**DECLARATION OF WENDY SMITH
ON BEHALF OF PUBLISHERS CLEARING HOUSE**

(May 17, 2021)

I, Wendy Smith, declare as follows:

1. I am Assistant Vice President of Fulfillment and Postal Affairs for Publishers Clearing House (PCH), and am providing this declaration through the Parcel Shippers Association.
2. PCH is headquartered in Jericho, NY. Our merchandise distribution center is located in St. Cloud, MN. PCH offers a variety of value-based merchandise via a "bill-me later" business model. As such, we ship orders to our customers prior to receiving payment from them. Given this business model, we operate under a least-cost basis and rely 100% on the Postal Service for affordable delivery.
3. Our book shipments, which mail as Bound Printed Matter (BPM) Parcels, total [REDACTED]. Like most BPM Parcels customers, we use a consolidator to sort and transport the packages to the Postal Service for nationwide destination entry, predominantly at destination delivery units (DDUs). Our book shipments weigh [REDACTED] [REDACTED] on average.

4. PCH's BPM Parcels average shipping cost -- which includes our transportation to the consolidator, the consolidator's handling and transportation, and postage -- is less than [REDACTED] percent of FedEx and UPS Ground list prices (based on the average of Zones 4 and 5).

Weight	Zone 4	Zone 5	Average
1 Pound	\$9.91	\$10.35	\$10.13
2 Pound	\$11.33	\$11.58	\$11.46
3 Pound	\$11.94	\$12.43	\$12.19

Added to these UPS and FedEx list prices are FedEx and UPS Residential surcharges of \$4.35-\$4.45 and incremental Delivery Area Surcharges of \$4.30 (applicable to ~1/3 of our ZIP codes). [REDACTED]

5, Given their substantially higher prices, FedEx and UPS are not realistic alternatives for the delivery of our books. If the Postal Service increased BPM Parcels prices, we would have to significantly scale back our book business and pay the Postal Service's higher prices for the remainder.

Executed this 13 day of May, 2021


Wendy Smith

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001**

Transferring Bound Printed Matter
Parcels to the Competitive Product List

Docket No. MC2021-78

**DECLARATION OF MIKE WARD
ON BEHALF OF THRIFTBOOKS**

(May 17, 2021)

I, Mike Ward, declare as follows:

1. I am President of ThriftBooks Global LLC, the world's largest reseller of used books. I am also a board member and active participant in the Parcel Shippers Association.

2. ThriftBooks opposes the recent proposal by the USPS to reclassify Bound Printed Matter ("BPM") Parcels as a Competitive product. We believe the BPM Parcels product is currently classified correctly as Market Dominant, and moving it to Competitive would require the Postal Regulatory Commission to disregard the definition of Market Dominant in violation of 39 USC §3642. The category switch, and subsequent price increase, would also result in long term damage to an entire industry of book shippers who need a reliable and affordable means to distribute a product to the citizens of our country, a service that in the words of the USPS itself has "educational, cultural, scientific, and informational value." (See pg. 24 UNITED STATES POSTAL SERVICE NOTICE OF MARKET-DOMINANT PRICE CHANGE 10/9/2020 filing ID 114786). The USPS is ignoring the importance of their role in facilitating the distribution of books, and is attempting to take advantage of a segment of shippers who are captive customers of

the USPS. And the USPS's attempt to transfer BPM from Market Dominant to Competitive, if allowed, would clearly result in an unfair exercise of the USPS's market power.

3. ThriftBooks employs approximately 900 people in 8 states and has [REDACTED] [REDACTED] customers on our website. ThriftBooks will ship [REDACTED] million packages to customers in the USA in 2021 and will spend approximately \$ [REDACTED] million in postage and consolidator fees to ship those packages. The vast majority of those packages (92% of them) will be BPM and delivered by the USPS. These packages are consolidated on our behalf by our shipping partner – OSM, Worldwide – and then injected into the USPS and delivered to customers all over the country with an average delivery time [REDACTED] and an average cost to us (including both consolidation and postage) of [REDACTED] per package. The affordable postage rate allows us to provide a customer experience that is highly valued: used books, delivered to your doorstep, for as low as \$ [REDACTED] per book. This has resulted in a US population with increased reading habits, greater literacy, and again, to borrow the USPS's own words, has profound "educational, cultural, scientific, and informational value," particularly to segments of our society that have been traditionally under-privileged and under-served.

4. There is no other shipping company in the country that offers a comparable or similar class of shipping. When we examine other consolidators (like [REDACTED], and others) we find that they ultimately inject mail into the USPS in one form or another and thus are equally vulnerable to any price increase from the USPS. USPS in their request to the Commission fails to make a clear distinction between its captive customers ([REDACTED] and other consolidators) and its true turnkey competitors (FedEx, UPS, etc). The USPS would also have you believe that the consolidators are the main beneficiaries of BPM Parcels rates, when in fact the hundreds of smaller businesses who use the consolidators and their customers are.

5. FedEx and UPS both offer ground delivery as the USPS describes, but the small package ground service that the USPS argues is comparable to USPS's BPM

Parcels service is not at all comparable in terms of SLAs or price. We estimate, based on our best available research, that using FedEx or UPS Ground to ship small packages would cost from [REDACTED] for about [REDACTED] of our lightest volumes, even after accounting for discounts from published rates. On average we would expect to land on a blended average of ~ [REDACTED] per package. This is more than a [REDACTED] increase from what we currently pay. Clearly, these prices are untenable to our customers and to our business, and they are equally problematic for the large number of smaller book sellers in our industry that may not have the resources to respond to the USPS in this situation. While I cannot speak directly for others in my industry I do feel a duty to represent the situation broadly, as the de facto representative of thousands of small business concerns that, just like us, buy and sell books, and rely primarily on BPM Parcels to deliver those books to customers. If postage prices are raised by USPS, we would be forced to attempt to pass along those costs to customers in order to maintain a viable business, which would result in a dramatic decrease in both books shipped and in our ability to serve the value-oriented readers of our country. And hundreds if not thousands of book sellers that are the small business concerns the Commission is charged with protecting would suffer a similar fate, and many would simply close their doors forever. Market Dominant products are those in which the "Postal Service exercises sufficient market power that it can effectively set the price of such product substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products." Clearly given the nearest alternative is more than [REDACTED] as expensive, the BPM Parcels product fits into this definition, and any attempt to call this product Competitive is misguided and unreasonable and will result in the USPS taking unfair advantage of its market power in the category. Transferring BPM Parcels from Market Dominant to Competitive will likely decimate the used book selling market, namely by eliminating thousands of small business concerns that will be unable to weather such a drastic change to their cost structure.

6. Lastly, I want to remind you of our customers, the very people that this proposed action from the USPS will most directly hurt. Every year we survey our customers in an effort to stay apprised of their habits, trends, and the value they get from our products, and we get to know them pretty well. These people are who I am primarily writing this letter for, and who most need our support, many of them from under-privileged and under-served communities who are the most vulnerable of our citizens. Increasing prices or reducing the supply of used books “online” will reduce opportunities of increased literacy, education, and improved quality of life that come from reading.

Thanks –

Executed this 12th day of May, 2021

A handwritten signature in black ink, appearing to read 'Mike Ward', with a stylized flourish at the end.

Mike Ward

Attachment B

APPLICATION OF THE PARCEL SHIPPERS ASSOCIATION FOR NON-PUBLIC TREATMENT OF MATERIALS

In accordance with 39 C.F.R. §§ 3011.200 - 3011.203, the Parcel Shippers Association applies for non-public treatment of the redacted portion of information filed under seal as "PSA Comments.pdf." The justification for this application required by 39 C.F.R. § 3011.201(b) follows.

(1) The rationale for claiming that the materials are non-public, including the specific statutory provision(s) supporting the claim, and an explanation justifying application of the provision(s) to the materials.

The material in question consists of (1) information filed in this docket under seal by the Postal Service and (2) information filed by declarants that contains commercial information that would not be disclosed under good business practices. Based on its longstanding experience with the mailing and shipping community and postal industry, and familiarity with the postal business, its markets, its customers, and its competitors, PSA does not believe that its members or competing enterprises in the mailing and shipping industry would voluntarily publish this information because of concern that doing so would be used by other firms to the commercial detriment of the declarant customers of the Postal Service. The Postal Service represents its information is exempt from mandatory disclosure pursuant to 39 U.S.C. § 410(c)(2) and 5 U.S.C. § 552(b)(3).

(2) A statement of whether the submitter, any person other than the submitter, or both have a proprietary interest in the information contained within the non-public materials ... and the identification of an individual ... to accept actual notice of a motion related to the non-public materials....

The Postal Service and the declarants in Attachments A, B, and C, have a proprietary interest in the information filed under seal. The individual designated by the Postal Service to accept notice of any motion regarding this information is Michael Gross, Attorney, Pricing and Product Compliance; 202-268-6915; Michael.I.Gross@usps.gov. The individual designated by PSA to accept notice of any motion regarding this information is James Pierce Myers, General Counsel, Parcel Shippers Association, 703-627-5112; jpm@piercemyers.com.

(3) A description of the information contained within the materials claimed to be non-public in a manner that, without revealing the information at issue, would allow the Commission to thoroughly evaluate the basis for the claim that the information contained within the materials are non-public.

In addition to information previously provided by the Postal Service under seal, the PSA Comments and attachments contain company specific confidential information concerning the cost of producing and shipping company products, including prices paid to vendors, other companies, shipping volumes and revenues.

(4) Particular identification of the nature and extent of the harm alleged, and the likelihood of each harm alleged to result from disclosure.

The Postal Service has stated that “disclosure of confidential product pricing, revenue, and volume information is regarded as posing a substantial risk of commercial harm.”² PSA declarants could be harmed as competitors of the declarants could use the information in the Comments to direct their sales and marketing efforts at taking away business. Declarants’ vendors could use the information in negotiations.

(5) At least one specific hypothetical, illustrative example of each alleged harm.

Hypothetical: Information in the Comments and attachments is released, and a postal consolidator uses internal pricing information provided by another consolidator in the comments to undercut its prices. Consolidator competitors’ sales and marketing teams would make specific efforts at winning business by providing targeted, preferential pricing.

Harm: The Postal Service customers providing information in the Comments suffer significant commercial harm in the form of lost business. If the amount declarants pay their vendors becomes public, it could lead to less-than-best offers from other vendors in future negotiations, as they may try just to beat current prices, rather than make their best offer.

(6) At least one specific hypothetical, illustrative example of each alleged harm.

Hypothetical: Information in the Comments and attachments is released, and a

² See, e.g., United States Postal Service Notice of Filing Attachment Under Seal and Motion for Non-Public Treatment of Responses to Questions 3b and 4a of Chairman’s Information Request No. 2 (April 23, 2021), p. 2.

postal consolidator uses internal pricing information provided by another consolidator in the comments to undercut its prices. Consolidator competitors' sales and marketing teams would make specific efforts at winning business by providing targeted, preferential pricing.

Harm: The Postal Service customers providing information in the Comments suffer significant commercial harm in the form of lost business. If the amount declarants pay their vendors becomes public, it could lead to less-than-best offers from other vendors in future negotiations, as they may try just to beat current prices, rather than make their best offer.

(7) The extent of protection from public disclosure deemed to be necessary.

PSA maintains that the redacted portions of the materials filed non-publicly should be withheld from all persons involved in decision-making for providers of delivery services, mailers and shippers, and third-party postal vendors, as well as their agents, consultants, and attorneys. At least one specific hypothetical, illustrative example of each alleged harm.

Hypothetical: Information in the Comments and attachments is released, and a postal consolidator uses internal pricing information provided by another consolidator in the comments to undercut its prices. Consolidator competitors' sales and marketing teams would make specific efforts at winning business by providing targeted, preferential pricing.

Harm: The Postal Service customers providing information in the Comments suffer significant commercial harm in the form of lost business. If the amount declarants pay their vendors becomes public, it could lead to less-than-best offers from other vendors in future negotiations, as they may try just to beat current prices, rather than make their best offer.

(8) The extent of protection from public disclosure deemed to be necessary.

PSA maintains that the redacted portions of the materials filed non-publicly should be withheld from all persons involved in decision-making for providers of delivery services, mailers and shippers, and third-party postal vendors, as well as their agents, consultants, and attorneys.

(9) The length of time for which non-public treatment is alleged to be necessary with justification thereof; and

Ten years. Non-public materials lose non-public status ten years after the date of filing with the Commission, unless otherwise provided by the Commission. 39 C.F.R. § 3011.401(a).

(10) Any other factors or reasons relevant to support the application.

None.

Conclusion

For the reasons discussed, PSA asks that the Commission grant its application for non-public treatment to the redacted portions of PSA Comments including attachments A, B, and C.